



UNS Gas, Inc. 201 Grove Ave Prescott, AZ 86301 Service Location: ANNE-MARIE TAYLER 1118 FAIR ST PRESCOTT, AZ 86305-1810 Billing Date Page 01/20/2004

Page 1
Account No. 3

3515871

| Previous | Payments/ | Current | New | Due |
|----------|-------------|----------|----------|------|
| Balance | Adjustments | Charges | Balance | Date |
| \$71.62 | \$71.62CR | \$288.16 | \$288.16 | |

Current Charge Summary

| Gas Service | | | \$288.16 |
|--|------|------|--------------------------------------|
| CURRENT CHARGES PREVIOUS BALANC PAYMENTS/ADJUS | E | | \$288.16 \$71.62 \$71.62CR |
| BALANCE ON ACCO | OUNT | | \$288.16 |

Questions

If you have any questions concerning your bill statement, please call us at (928)-445-2211. A Customers' Rights & Responsibilities Handbook and billing rate information is available upon request.

Late Penalty Charge

To avoid a late payment penalty charge of 1.5%, payment must be received in our office by the due date.

To ease the impact of the PGA Surcharge this winter, residential accounts will only be assessed the surcharge for usage up to 154 therms. This usage threshold will change monthly December 2003 through March 2004.

SPREAD YOUR WARM SPIRIT BY ADDING DOLLARS TO YOUR PAYMENT FOR THE LESS FORTUNATE. FUNDS DISTRIBUTED BY LOCAL AGENCIES.

Please return this portion with your payment to ensure proper credit to your account.

Please write your account number on your check or money order and
make your check payable to UniSource Energy Services. Thank you!

AZ-88

201 Grove Ave Prescott, AZ 86301

Total Amount Due:
To Share With a Less

\$288.16

Due Date: Account No. 02/09/2004 3515871

Fortunate Neighbor, I am adding:

Amount Enclosed:

4897 1 AV 0.278 ****AUTO**5-DIGIT 86305 ANNE-MARIE TAYLER 1118 FAIR ST

UniSource Energy Services UNS Gas, Inc.

PO Box 8500 Scottsbluff, NE 69363

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PRESCOTT, AZ 86305-1810

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Check the above circle on the left for address or telephone number correction. Print details on reverse side.

on remeis speak...

Natural gas hike prompts outrage

EDITOR:

I am amazed no one has written to complain about the 50-plus percent increase in natural gas rates charged by Unisource Energy since they purchased Citizens Energy.

Citizens was charging us \$.5588 per therm (billed usage). Unisource is charging \$.7733, plus a PGA surcharge of \$.1155 per therm during the winter months. This is an increase of 38.4 percent without the surcharge and 59 percent with the surcharge.

This is outrageous. I have lived in five U.S. states and Australia over the last 50 years, and I have never seen any utility increase its rates by this percentage in one move – not even close.

I called Unisource and the customer rep_agreed that they had increased their rates by a "small amount." She said the increase in my November bill was mostly the result of increased usage. Rubbish! I tried to call the Arizona Corporation Commission to see if and why they had approved such an increase, but I could never get through. Perhaps the Courier would have better luck.

With the country trying to get back on its feet, we don't need our utility companies acting in this cavalier manner. They are really "legal" monopolies and should be acting as responsibly as possible regarding any rate increases.

Jack McNealy Prescott

A Message from UniSource Energy Services

to our Customers

I'd like to share some exciting news about UniSource Energy Services and its parent company, UniSource Energy.

As you may already have heard, UniSource Energy's Board of Directors has accepted an investment group's offer to purchase all of our company's outstanding shares of common stock. If the transaction is approved by shareholders and regulators, UniSource Energy would become a privately held company sometime next year.

Unlike the recent transition from Citizens Communications to JonSource Energy, this investment wouldn't affect UES customers. Your rates wouldn't be affected, and our company same willdn't change. UniSource Energy Services would remain a subsidiary of UniSource Energy.

The proposal offers significant benefits for our company our customers and our community. Our new investors would provide resources that enhance UES' ability to provide safe, reliable and affordable service. They've also committed to supporting our company's community service efforts. They understand, as we do, that our success is linked to the vitality of the communities we serve.

The transaction would ensure that US remains a local utility company. Our senior management team will remain in place, and Unifource Energy's corporate headquarters will remain in Arizona. Our investors don't intend it cut local jobs or services I paread, they'll be providing us with resources that help make our Arizona operations even stronger.

Our prospective in estors include affiliates of three highly regarded firms that make investments on behalf of public and corporate pension funds, endowments, it surance companies and individuals. They are:

- Kohlberg Kravis Roberts & Co. (KKR). Since its founding in 1976, KKR has complete 110 transactions involving in excess of \$114 billion of total financing.
- J.P. Morgan Partners, LLC, whose primary limited partner is J.P. Morgan Chase & Co., a leading global financial services company with assets of more than \$755 billion.
- Wachovia Capital Partners, the principal investing group of Withevia Corporation, one of the nation's largest financial holding companies.

These companies were attracted by UniSource Energy's successful utility operations, including UES and Tucson Electric Power, which provides electric service in the Tucson metropolitan area. Their support will allow us to enhance those operations while rewarding out carrent shareholders for their faith in our company.

We expect this transaction will be finalized during the second half of 2004. If you want to learn more, visit uesaz.com.

You shouldn't worry that the changes going on behind the scenes at your local utility company will affect the service you receive from us. UES is committed to delivering safe, reliable energy and prompt, courteous customer service. Rest assured, those commitments will be kept.

James S. Pignatelli Chairman, President and Chief Executive Officer, UniSource Energy Corporation

